

Materials Management Center

2005-07 Business Plan

EXECUTIVE SUMMARY

Activity Description

RCW 43.19 requires the Department of General Administration to develop and recommend overall state policy for all state agencies, including educational institutions, regarding the following material control functions: determination where consolidations, closures, or additions of stores operated should be initiated; criteria for determination of when and where and how much of an item in the state supply system should be stocked and standards for replenishment; overall distribution and redistribution system for stock items which establishes sources of supply support for all agencies, including interagency; standardization of records and forms used state-wide for supply system activities; criteria for use of warehouse space based on relative cost and accessibility; determination of how transportation costs incurred by the state for materials, supplies, services, and equipment can be reduced; development of performance measures for the reduction of total overall expense for material, supplies, equipment, and services; establish a standard system for all state organizations to record and report dollar savings and cost avoidance which are attributable to improved material control procedures; procedures for mutual and voluntary cooperation for exchange of material control services. GA also maintains a central stores for the centralized storage and distribution of such supplies, equipment, and other items of common use in the daily operation of state agencies, colleges and universities, political subdivisions and eligible non-profit corporations.

Materials Management Center has a biennial budget of \$6.8M and 40.8 FTEs.

Retrospective

The Central Stores operation was founded by the legislature in 1943, and the additional materials management policy responsibility was added in 1976, yet over the next 26 years the program focused on the stores operation almost exclusively. In 2002 the program conducted an activity costing and competitive market comparison. It became apparent that the Central Stores operation could be an integral cog in a statewide supply chain, but the greatest value could be gained from this asset by fulfilling the statutory obligation. In FY 03 the program began implementing warehouse efficiencies that reduced inventory by about \$1 million and eliminated low volume line items as warehouse and distribution services expanded. In FY 04 a statewide supply chain managers group was formed to re-establish direction and guidance for supply chain management activities. The group charter is to gather information, including benchmarking data, in order to improve supply chain efficiencies and overall effectiveness. The goals established for the next three biennia reflect the expectations that GA has for providing statewide supply chain management leadership and facilitation.

Prospective

Over the next six years, state supply operations, including Central Stores will transition from a focus on single orders from suppliers and catalogs, to an order-less supply chain environment,

supplier managed inventories, stockless programs and standardized supply items. GA will be the hub of a centralized infrastructure of transportation, inventory and warehousing managed and operated collaboratively with all levels of government.

Major Initiatives for the 05-07 Biennium

- ▶ Reduce state resources tied up in consumable inventories saving \$30 million by 2011.
- ▶ Reduce the number of items in inventory and associated costs by 25% by 2011.
- ▶ Improve statewide storage infrastructure resulting in consolidation or elimination of 100,000 square feet of storage space over the next six years.

	05-07	07-09	09-11
Goal:	Provide the highest and best value materials management services that result in the most efficient logistics support for the state's operations Provide supply chain policy leadership and expertise for government with a suite of best value services when centralized logistics needs are the right alternative.		
Objective(s):	<ol style="list-style-type: none"> 1. Collaboratively develop a supply chain plan for the state. 2. Reduce the cost of consumable inventory in the state. 3. Reduce the number of items held in inventory statewide. 4. Improve storage infrastructure and coordination to eliminate inefficient storage space utilization. 		
Strategies:	<p>Collaboratively develop supply chain policies and procedures to foster a consistent environment.</p> <p>Lead supply chain management policy and collaborative efforts to move \$30 million of the \$75million current level from state-wide consumable inventories to CASH</p> <p>Coordinate with other GA transportation entities to align activities.</p> <p>Effective use of enabling technologies to share information and develop logistics data.</p> <p>Develop the skills of our staff to provide greater logistics expertise to the state and transition the program to supply chain managers.</p> <p>Coordinate distribution activities with large agency customers and private sector providers to optimize the states' investment in warehouse and truck distribution assets.</p> <p>Expand order-less inventory services throughout Thurston County.</p> <p>Conduct detailed study of Thurston County warehouse utilization, lease terms and alternatives. Prepare recommendations on efficiency.</p> <p>Develop means to provide agency reporting to identify MWBE spend and EPP spend with GA.</p>	<p>Establish hub for statewide logistics to facilitate easy and cost-effective alternatives for all customers.</p> <p>Expand order-less inventory services along existing routes.</p> <p>Complete statewide warehouse utilization mapping. Implement efficiencies.</p>	<p>Complete logistics center for government in place.</p> <p>Consumable inventory levels and statewide distribution and redistribution systems optimized.</p> <p>Warehouse utilization improved, tools in place for future space decisions.</p>
Performance Measures:	<p>Value of state consumable inventories reduced as a direct result of GA efforts.</p> <p>5% reduction in the number of supply items held in inventory with accounting of associated net cost savings and resource reallocation.</p> <p>Skill assessment and developmental plan for all MMC administrative staff.</p> <p>Collaboratively implement Thurston County warehouse efficiency plan eliminating at least 20,000 sq ft of space dedicated to storage.</p>	<p>Another 10% reduction in costs associated with consumable inventory.</p> <p>10% further reduction in the number of supply items.</p> <p>Minimum further 20,000 sq ft of space eliminated.</p>	<p>Continued 10% reduction in consumable inventory costs.</p> <p>10% further reduction in the number of supply items.</p> <p>Minimum further 60,000 sq ft of space eliminated.</p>